

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

October 11, 2001

IN RE:

APPLICATION OF CLARICOM NETWORKS, INC. FOR
APPROVAL OF TRANSFER OF AUTHORITY

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DOCKET NO.
01-00504

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on June 26, 2001 for consideration of the Application (the "Application") of Claricom Networks, Inc. ("Claricom"), Claricom Holdings, Inc. ("Claricom Holdings"), Staples, Inc. ("Staples"), Stacom Holdings, LLC ("Stacom"), and Platinum Equity, LLC ("Platinum") (collectively the "Applicants"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of authority to provide utility services.¹

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

¹ On May 18, 2001, the Applicants filed a notification to the Authority of a change in the ownership of Claricom. Because this change in ownership involves a transfer of the authority to provide utility services held by Claricom, pursuant to Tenn. Code Ann. § 65-4-113, approval by the Authority is required. Therefore, the Authority deemed the Applicants' notification their Application for such approval.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Application

The Application states that Claricom, a Delaware corporation and a wholly-owned subsidiary of Claricom Holdings, is a provider of intrastate interexchange telecommunications services in Tennessee. Claricom was granted a certificate of public convenience and necessity (“CCN”) by Order dated July 30, 1997 in Docket No. 97-00143.² The Application further states that Claricom is certificated as a telecommunications reseller in the forty-eight contiguous states and as a competing local exchange carrier in twenty-three states.

According to the Application, Claricom Holdings is a Delaware corporation which holds 100% of the outstanding shares of capital stock of Claricom, and Staples is a Delaware corporation which holds 100% of the outstanding capital stock of Claricom Holdings. Further, Stacom is a Delaware limited liability company with its principal office located in California, and Platinum is a Delaware limited liability company formed as a vehicle for the acquisition of companies and is the ultimate parent company of Stacom. Platinum is also the ultimate parent company of Matrix Telecom, Inc., a telecommunications service provider in Tennessee.

According to the Application, Claricom Holdings, Staples, Stacom, and Platinum entered into a Purchase and Sale Agreement on March 27, 2001. Pursuant to this Agreement, Claricom

² Claricom obtained its CCN under the name Clarity Telecom LD Network Services, Inc. The company petitioned for approval to change its name to Claricom Networks, Inc. in Docket No. 98-00114 and was granted such approval by Order dated February 3, 1998.

will be converted to a limited liability company, and all of the outstanding membership interests in Claricom will be transferred from Claricom Holdings to Stacom. As a result of this transfer, Claricom will become a wholly-owned subsidiary of Stacom.

The Application states that Claricom will remain a separate operating company and the only change with respect to Claricom will be its conversion to a limited liability company and the transfer of ownership interests. The Application states that the transaction will have no impact on Claricom's customers. According to the Application, Claricom's customers in Tennessee will notice no change in the company name, address, contact information, services, rates, or the terms and conditions of the services they receive. The Application states that Claricom will continue to provide high-quality, affordable telecommunications services.

According to the Application, all technical aspects of providing reliable telecommunications services will be handled in the same manner and by the same individuals who currently provide technical support for Claricom. The Application states that while there will be some change in management structure, Claricom will continue to possess the technical, managerial, and financial resources necessary to provide reliable, low-cost telecommunications services. The Application further states that the proposed transaction will not disrupt service or cause inconvenience to Claricom's customers and will be transparent to those customers.

Findings

The Directors of the Authority considered this matter at the June 26, 2001 Authority Conference. Based upon careful consideration of the Application, the Authority finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter of this Application pursuant to Tenn. Code Ann. § 65-4-113;

2. Claricom Networks, Inc. has been granted authority to provide telecommunication services in Tennessee;

3. Ownership of Claricom Networks, Inc. will be transferred to Stacom Holdings, LLC, whose ultimate parent company is Platinum Equity, LLC, resulting in a transfer of the authority granted Claricom Networks, Inc. to provide utility services; and

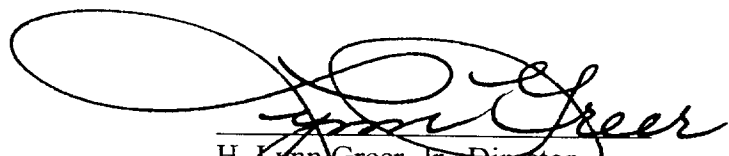
4. Approval of the transfer of authority is appropriate pursuant to the provisions of Tenn. Code Ann. § 65-4-113.

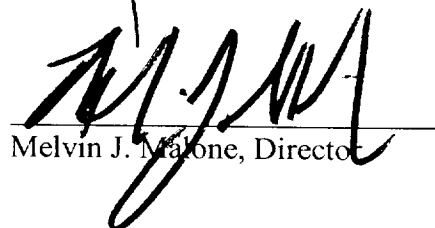
IT IS THEREFORE ORDERED THAT:

1. The Application of Claricom Networks, Inc., Claricom Holdings, Inc., Staples, Inc., Stacom Holdings, LLC, and Platinum Equity, LLC for approval of the transfer of authority described herein is approved; and

2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary